

Southern Energy Co-operative Ltd First Annual Report 1995-96

An Annual Report is an important opportunity to realistically review what has been achieved over a 12 month period and provide an opportunity for setting future goals and objectives.

A realistic assessment would be that the major achievement has been the establishment of Southern Energy Co-operative Ltd - rather than what the co-operative has achieved since its formation.

Under Rule 5.1:

The aim of the co-operative is to establish an electric co-operative in the United Energy service area.

Under Rule 6.1 the objects of Southern Energy Co-operative Ltd are:

- (a) to provide and carry on any community service, including transport and the supply of water, gas and electricity, to provide and install plant fittings and requisites in connection with any community service and to do anything necessary or convenient therefor;
- (b) to own the United Energy distribution company;
- (c) to represent the interests of electric consumers;
- (d) to encourage the co-operative role in electric utilities;
- (e) to support energy efficiency programs;
- (f) support the availability of energy efficiency loans;
- (g) to support the use of renewable energy and technologies;
- (h) to support empowerment of electric utility workers.

The aim has been met with the establishment of Southern Energy Co-operative Ltd and the co-operative has pursued objects (c) and (d) in particular. Significant local newspaper coverage in the initial developmental stages of the co-operative were not sustained and the membership remains at 27. The co-operative has developed and published a policy statement, The Co-operative Option, and a brochure, Keep Our Power.

The sale of United Energy to a consortium led by the USA investor utility UtiliCorp United was, of course, a disappointment. The sale changes, but does not diminish, the co-operative option. This was clearly recognised in the policy statement adopted by Southern Energy Co-operative Ltd.¹ The options for electric co-operatives are in summary:

- Acquire full or partial ownership of a distribution company.
- Operate as a licensed retailer which purchases and retails energy.
- Operate as a purchasing group which purchases energy from retailers.
- Establish a generation co-operative which sells power to distribution and retail companies.

The role of a retailer or purchaser could involve the promotion and inclusion of energy savings, conservation and load shifting. Government legislation creates the opportunity for retail and purchasing co-operatives. The only real barrier to the establishment of purchasing co-operatives, for instance, is consumers themselves. Yet, the logic of purchasing co-operatives is inexorable. In a competitive market it is the large consumers who will exercise bargaining power with generators, distributors and retailers. Large consumers will be able to drive price down - for themselves. The individual small consumer has no real bargaining power. Retail price control will end in 2000. The only solution for the individual small consumer is to work with other small

¹ Southern Energy Co-operative Ltd The Co-operative Option: How to Keep Our Power Australian Owned and Community Controlled. Southern Energy Co-operative Ltd, 1995

consumers in establishing electric co-operatives and, therefore, create bargaining power. This will, of course, be a threat to large consumers and a dilemma for generators, distributors and retailers. To assume that there is no co-operative option is to fatalistically assume that small consumers are passive victims. The history of co-operation, however, is about small consumers and producers empowering themselves - instead of being passive victims.

It is important to emphasise that the co-operative difference is a different form of ownership and control. The co-operative way is a middle way between private and public ownership and is chosen by co-operators because they support the philosophy and principles of co-operation. Co-operators, therefore, support co-operative ownership rather than opposing private ownership.

The Secretary of Southern Energy Co-operative Ltd is also Secretary of Co-operative Energy Ltd and, therefore, certain advocacy activities undertaken by the Secretary complement the work of both co-operatives. This has included the Secretary's electronic networking activity. Electronic networking is important for the Internet is the largest data network in the world and it is critical to ensure that the co-operative option has an on-line presence. The Secretary, therefore, has inputted on the electric co-operative option into existing discussion groups. The highlights of this have included:

- Posting the first message on an Australian Forum created by the NSW Registry of Co-operatives and Pegasus Networks.
- Posting the first message on a USA EnergyOnline Forum concerning electric industry restructuring in California.
- Creating a Co-operative Forum within UtiliCorp United's Power Quality Discussion Forum.
- Continuing to be the sole electric co-operative option poster to the International Co-operative Alliance and University of Wisconsin Cooperative-bus Forum and aus.politics.

The pursuit of Southern Energy Co-operative Ltd's objects have been complementary with the activities of Co-operative Energy Ltd. Southern Energy Co-operative Ltd is a member of and has supported Co-operative Energy Ltd in pursuing the electric co-operative option. Southern Energy Co-operative Ltd is also a member of the Co-operative Federation of Victoria Ltd which is also becoming more active in pursuing the electric co-operative option.

While Southern Energy Co-operative Ltd's achievements are limited, they do need to be seen within the context of the activities of Co-operative Energy Ltd which has a State-wide role in promoting electric co-operatives. Co-operative Energy Ltd has been pursuing the electric co-operative option and has had some limited success with the following:

Canadian Co-operative Association
Catholic Commission for Justice, Development and Peace
Co-operative Federation of Victoria Ltd
NSW Registry of Co-operatives
Office of the Regulator-General, Victoria

Canadian Co-operative Association

The Canadian Co-operative Association (Ontario Region) is preparing an environmental scan of co-ops in the energy sector and are particularly interested in the experience of countries which are going through the privatisation process. It is expected that North America's largest utility, Ontario Hydro, will be privatised. On 20 February 1996 the Association requested information on electric co-operative development in Australia. Email has been forwarded on 27, 28 and 30 March and 4 April and airmail packages on 28 March, 1 & 9 April 1996.

Catholic Commission for Justice, Development and Peace

In April 1995 the Catholic Commission for Justice, Development and Peace issued a statement on privatisation: Discussion Paper No 1 - The Reform of Victoria's Electricity Industry. Working with Good Shepherd Youth and Family Services a Church Power statement was submitted to the Commission. In essence, the statement urges churches to use their power as purchasers of

electricity is to influence the policies of suppliers. The Commission endorsed the statement in December 1995. The statement is to be released in the next couple of months.

Co-operative Federation of Victoria Ltd

The Co-operative Federation of Victoria Ltd has endorsed a Co-operative Opportunities Research Project and at its Board meeting on 15 February 1996 endorsed two Issue Papers - Opportunities for Co-operatives in Electricity Industry Restructuring and Opportunities for Co-operatives in Local Government Restructuring. At this meeting, the Board also agreed to co-sponsor with Co-operative Energy Ltd a workshop for community groups and others to inform them of the co-operative option within the electricity industry. This workshop will probably be organised in May 1996.

NSW Registry of Co-operatives

The NSW Registry of Co-operatives is collecting resource material on electric and other utility co-operatives. A NSW Electricity Reform Taskforce is preparing a recommended option for introducing competition into the retail sector of the NSW electricity industry.² On 16 January 1996 the Registry emailed a request for resource material. This material was mailed on 18 January 1996. Subsequently, there have been discussions with the Registry and an invitation for the Secretary to attend a meeting in Sydney to further discussions on the electric co-operative option.

Office of the Regulator-General, Victoria

After discussions with the Office of the Regulator-General, Victoria, it was agreed that the Co-operative Federation of Victoria Ltd would be represented on a Working Party redeveloping the Supply & Sale Code. The Supply and Sale Code "sets the minimum conditions under which a supplier may sell electricity to a franchise customer." The Code is established under the Electricity Industry Act 1993. The most recent draft is dated 1 April 1996 and its contents include connection of supply, quality of supply, reliability of supply, safety of supply, bills, paying the bill, refundable advances and alternatives and disconnection of supply. Co-operative input has focused on consumer empowerment - rather than consumer protection.

In future months, some business opportunities being developed by Co-operative Energy Ltd may be initiated and Southern Energy Co-operative Ltd may be able to participate in these and, therefore, provide direct benefits to its members.

The significance of Co-operative Energy Ltd's activities and their relevance to Southern Energy Co-operative Ltd should not be under-estimated. Together the initiatives are gradually creating a more receptive environment to the electric co-operative option. It has been difficult for all of Victoria's electric co-operatives - Co-operative Energy Ltd, Orbost Power Co-operative Ltd and Southern Energy Co-operative Ltd - to advocate and develop the co-operative option within a debate that has polarised between private and public ownership options for our electric utilities and on political options and solutions. More initiatives could have been undertaken by Southern Energy Co-operative Ltd, however, in complementing the advocacy work of Co-operative Energy Ltd at the local level.

The critical basis for these initiatives is the co-operative's Board. The achievements of Southern Energy Co-operative Ltd are dependent on the Board. The Board of a co-operative represents its member-owners. The directors, therefore, have a duty to safeguard the interests of members and determine how the co-operative will operate to carry out the wishes of the membership. This role is even more important when a co-operative does not have a capacity to hire and supervise a manager and other staff. Sometimes, co-operative are confused over the responsibilities for decisions between themselves and managers. This confusion is not relevant to Southern Energy

² NSW Electricity Reform Taskforce Retail Competition in Electricity Supply: Interim Report. February 1996

Co-operative Ltd when there are no employees. There is no management to provide leadership and advice to the Board. The Board not only has to define the co-operatives objectives, policies and goals. It also has to implement at the operational level.

Each individual director is responsible for the operations of the Board and is obligated to actively contribute to the decision-making processes of the Board. Directors are obliged to attend all Board meetings. Attendance in itself is not enough, however, and directors have a responsibility to require proper and full explanations. Directors should also speak up at meetings if they believe that a proposed action is unauthorised or wrong. Directors who dissent from decisions should have their dissent formally recorded in the minutes of meetings.

The Registry of Co-operatives has summarised the responsibilities of directors as including:

- to act in the best interest of members;
- to comply with all the provisions of the Co-operation Act 1981 as amended, the Co-operative Societies (General) Regulations 1993 as amended and the co-operative's rules;
- to fulfil the co-operative's obligations to third parties e.g. creditors, the Registrar of Co-operative Societies etc;
- to ensure that all operations of the co-operative are within the law, both statute and common.³

The Registrar of Co-operatives has explained clearly: "The Board's powers must be exercised diligently and honestly. Whatever the duties and powers of the Board may be, directors must act with reasonable care and skill or become personally liable for any damages or injuries the co-operative may suffer from their negligence or failure to fulfil the duties of office. The Act protects a director from liability to the co-operative for any loss that the co-operative may sustain unless the loss was due to his or her misconduct or negligence or to his or her failure to comply with any of the provisions of the Act, its Regulations or the rules of the co-operative."⁴

The Board acknowledges the need to become more active in pursuing the co-operative's aim and objectives and the initial basis for this will be directors accepting portfolio responsibilities e.g:

- Community outreach
- Finance
- Membership recruitment
- Membership retention

The Board also recognises that efficiency and accountability will improve with the appointment of an ongoing Chairperson and that, in retrospect, it was unfair with the Secretary being the only ongoing official.

Over the next 12 months the priorities for Southern Energy Co-operative Ltd will be to:

- Implement the portfolio system
- Appointment of a Chairperson
- Increase the membership
- Monitor the activities of United Energy
- Work with Co-operative Energy Ltd and the Co-operative Federation of Victoria Ltd

David Griffiths
Secretary

³ Registrar of Co-operatives Post Registration Guide For Co-operatives In Victoria. February 1994. p 13

⁴ Ibid p 14